

35

THE WHITE HOUSE
WASHINGTON

file

December 5, 1944.

MEMORANDUM FOR

BILL DONOVAN

I think you should show
Mr. Landau's report on Latin
America to Ed Stettinius and
Nelson Rockefeller.

F. D. R.

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

CONFIDENTIAL

30 November 1944

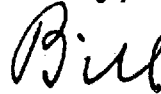
Miss Grace Tully
The White House
Washington, D. C.

Dear Grace:

I believe the President will find of
interest the attached report. Will you kindly see
that it reaches his desk.

Thank you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill", written in dark ink.

William J. Donovan
Director

CONFIDENTIAL

CONFIDENTIAL

**OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.**

O. S. S. folder
S-44

30 November 1944

MEMORANDUM FOR THE PRESIDENT

There is attached a report on Latin America which has been made available to us by Mr. Jacob Landau, Secretary and Managing Director of Overseas News Agency, Inc. I think it may be of interest to you.


William J. Donovan
Director

CONFIDENTIAL

STRICTLY CONFIDENTIAL

S U M M A R Y

United States prestige in Latin America is presently at its lowest ebb due to its own lack of a clearly conceived policy and to the adverse effect exercised by the Hispanidad or Latinidad movement, Spanish Falange-inspired clerical influences, the Nazi Fifth Column and the British.

The crux of the situation in Latin America is Argentina. Unless the Argentinian situation is changed, the United States is bound not only to lose its last shred of influence in Latin America, but its position in world affairs will be weakened as well. A Latin American bloc independent of the U. S. appears in the process of formation.

There is today in Latin America not a single organized group which is pro-United States. Our policy has alienated the democratic groups throughout Latin America. An anti-Yankee drive, as the United States reduces its purchases in Latin America, is in the offing. Unless the present trend in Latin America be reversed, it may find its position in world councils jeopardized by lack of the supporting vote of the 20 American Republics.

Of the three larger powers: Argentina, Brazil and Mexico, Mexico can be the only effective instrumentality for winning Latin American sympathies. If the United States antagonizes Mexico, we stand to lose out in all of Latin America.

CONCLUSIONS

- 1) Under no circumstances can we sit down with the present Argentine government at any Pan American Conference.
- 2) An early change in the Argentine situation is imperative and ought to be brought about by any of the methods outlined in the memorandum.
- 3) Mexico should be our main instrumentality in fostering a more friendly sentiment toward the United States in Latin America.

Strictly Confidential

- 1 -

Nov. 22, 1944.

Re: Latin America

After visiting all of Latin America with the exception of Paraguay, Bolivia and Honduras and on the basis of previous visits to Mexico, Argentina, and Brazil, the writer has reached the conclusion that the United States is in real and immediate danger of losing whatever influence it has thus far exercised in Latin America.

United States influence has reached an all time low ebb in Latin America. However, much more than our influence in Latin America is at stake. The United States position in world politics will suffer unless the present trend is reversed. The United States may find itself isolated at the international councils and compelled to play a lone hand for lack of the supporting vote of the 20 American republics. Thus, our bargaining strength vis a vis Britain and Russia may be impaired.

A Latin American bloc - not guided by the U.S. - but independent and even to some extent hostile to the U.S. is in the process of formation - if not already existent.

There is concrete evidence for this assertion. The alacrity with which some Latin American governments welcomed the Argentine proposal for a conference, the united action taken by all Latin American representatives at the Chicago Aviation Conference, the opposition openly voiced by various Latin American governments to the decisions taken at Dumbarton Oaks offer abundant proof of the seriousness of the situation we face.

A good deal of whispering has gone on between various Latin American governments during the last six months. There can be hardly any doubt that at least some of them are acting in collusion.

- 2 -

No matter what the sentiments of Latin American governments and nations be regarding the Argentine situation, some of them enjoyed the spectacle of a Latin American government defying the U.S.A. and getting away with it. Even if some of them disapprove of the present Argentine regime they hope that Argentina will win in her struggle with the U.S. It would create a precedent they all desire. The resignation of Aranha, the premature action taken by Colombia - publicly announcing its consent to the Argentine proposal, the recognition of the Aguirre regime of El Salvador by Nicaragua and Honduras without prior consultation with the U. S. and the other governments, would not have occurred without the example set by Argentina.

We shall lose the last shred of influence and prestige we have in Latin America if the diplomatic offensive undertaken by Argentina proves successful. We cannot afford to accept the Argentine proposal after all the strong public statements we have made. The position of the Argentine Government has been already strengthened by the reception its proposal has received.

Sentiment against the U.S. in almost all countries is stronger today than a year or two ago. As we approach the end of the war we are facing the definite danger of an out and out anti-Yankee drive in Latin America.

The reasons are manifold. Nazi propaganda has been effective. Our counter-effort has not been as effective. The fear of the "colossus in the North" has been assiduously stimulated. Germany has not confined itself to press and radio propaganda. It has created a strong fifth column. Nazi influence even today still exists - and not only in Argentina. (In Caracas, for example, the crown and sceptre for the queen elected to preside over the International Baseball Series were purchased at the store of Johan Cathman and

- 3 -

exhibited in his show windows. J.C. is a well-known Nazi who subsidized Nazi propaganda.)

Germany pursued a different method than ours. Germany placed any number of officials in the various government departments, members of the cabinets, relatives of the presidents, persons in the army, navy, air force, and, invariably, the police on its payroll. In some countries, this was tantamount to taking over part of the administration. The German method was cheap and very effective. Our method was expensive and ineffective. We spent twenty times the German sum in impersonal credits, part of which disappeared in the pockets of politicians, but nobody was under specific obligations to the U.S. No one had to work overtime for the U.S. as many did for Germany.

Anti-U.S. propaganda has been greatly aided by Spain and by Spanish-influenced clerical forces. Many hundreds of pro-Falange priests have arrived in Latin America from Europe in recent years, many of them devoting themselves to propaganda against our country. Unfortunately the British also have done their bit in weakening our position. Their attitude is particularly surprising and shortsighted. The British spent less than ten percent of what we expended in Latin America. They have been sitting back, enjoying our blunders and profiting by them.

After the Revolution of 1812, French revolutionary ideas and British and American influence were dominant in Latin America. Today Latin America concentrates on one aim; to emerge from its semi-colonial status. The drive is directed not only against the U.S. but against the Anglo-Saxon world in general. (Argentina knows it is not strong enough to face both the U.S. and Britain at

- 4 -

the same time. But sooner or later it will inevitably turn against Great Britain as well. I pointed this out to Mr. Erwin, the British Minister in Panama, whose reluctant reply was "Perhaps you are right.")

What powers aim to replace the Anglo-Saxon influence? Hispanidad and Latinidad! A Latin bloc - Latin America linking herself with Spain, France, and Italy seems to be in the offing, and which Britain will attempt to manipulate.

This development can seriously affect the U.S. If, in the international organization which is to be set up, the countries in this hemisphere do not join us, our influence and prestige will be seriously reduced.

In addition to the array of powerful outside influences which are consistently working against us, we have weakened our own position because we have no policy. Not a single organized group in Latin America stands solidly with us. The Good Neighbor Policy has become identified with our non-intervention policy as practised toward Spain. It has been a Good Neighbor Policy between governments and not between the peoples of this hemisphere. We are a good neighbor to quite a few fascist and reactionary governments. We have thus antagonized the liberal and democratic elements in a number of countries.

Our only sincere and reliable allies can and will be only these progressive elements. Latin America tends to extremes. Latin American conservatives will be our ardent allies if we wish to be guided by fear of bolshevist tendencies. They will never cooperate with us in fighting reactionary or fascist tendencies.

- 5 -

The danger in Latin America today is not from the Left but from the Right. The progressive element in Latin America, if enjoying our friendship, will allow itself to be influenced and restrained by us. We will be aided in this by the growing middle class and the progressive industrialists.

A liberal Argentinian pointed out to me how weak American policy towards Argentina has been thus far. "The U.S. has made strong statements," he said, "but it has not followed through with action. On the same day Hull announced that our government would not be recognized, we read in our papers that the U.S. had bought 10 million pounds of our corn. As a matter of fact even your latest decision not to permit U.S. ships to dock in Argentine ports is not very impressive. You have continued to buy from Argentina. Your purchases will amount to two hundred million dollars this year - sixty million dollars more than in 1941. On the other hand, you have reduced U.S. exports to us from one hundred million dollars to twenty-five million, thus punishing only the American exporter. We would know that you meant business had you stopped all purchases; if you would not allow a single letter to or from the United States to cross our borders; if you would not allow a single plane to land on our territory. Such an economic blockade on the part of the U.S. alone - even without the participation of England - would have made a deep impression. In all likelihood it would have brought about the overthrow of the present government."

Our economic policy throughout Latin America has further entrenched our difficulties. Because of it, the rich in Latin America are richer and the poor are poorer. Because of this policy, antagonism to the U.S. has been

- 6 -

intensified. Take Brazil as an example. For no country have we done so much. Nevertheless anti-American sentiment there today is stronger than before. (I was told by an important industrialist that the Brazilian would prefer to buy from the English if their prices equalled ours.) The reasons are very illuminating. As in most other countries there is inflation in Brazil. Prices have climbed three to four hundred percent - creating grave hardships for the masses. The American who buys in Brazil is compelled to pay three or four times more than he did before but the Brazilian who imports U.S. goods is protected by a rate of exchange which we have pegged and by our price ceilings. Whatever he imports he sells at a profit of a thousand or twelve hundred percent, or more. Assiduous propaganda has been drilling into the Brazilian the idea that the U.S. is responsible for the terrific price rises. Thus we are the suckers and at the same time we are blamed and heartily criticized. This is one example out of many. (A real estate crash in Brazil appears to be inevitable. Real estate prices have mounted beyond reason largely due to insurance companies, whose coffers are bulging with new revenues obtained from the Social Security program, and by importers who, unable to do business with Europe, have invested heavily in real estate. The banks seem to be less involved, but nevertheless the real estate crash may lead to a serious economic crisis.)

We are now reducing our purchases in Latin America and in the future we will certainly not buy at the same high prices we paid during the war.

When Latin America's economic difficulties will thus be further increased, anti-American sentiment will inevitably rise - particularly if an impoverished

- 7 -

Europe - unless financed by the U.S. - will not be able to replace American purchases.

The time has come when we can no longer afford to drift. We must take a position if we don't want to see all Latin America gang up on us.

The Argentine Government can and must be overthrown. This is imperative if we wish to regain our prestige and influence in Latin America. The situation is growing worse every day. Argentina's immediate neighbors live under constant economic and political pressure, and military threats on the part of Argentina.

Intervention decades ago may have been a reactionary policy. Today non-intervention against a fascist regime in the midst of a war against fascism in Europe is a reactionary policy for which the democratic and liberal elements are not grateful to us. Intervention if not in the interest of the U.S., but in order to help the people to choose their own government is an entirely different matter. It would be a deed of liberation. We cannot continue our policy of appeasement or Chamberlainism.

The democratic elements are not strong enough to overthrow their fascist governments, some of which have received tanks and planes from the U. S. with which they are holding down their people. Foreign assistance is indispensable. This is true not only of Latin American countries but even of Spain, whose entire history is one of governments being overthrown by foreign intervention, and which today will be hardly able to rid itself of Franco without foreign help. However, open intervention may not be necessary. The Argentine Government is very weak. It is divided. Perón, Peluffo and Farrell

- 8 -

are rivals for power. (By the way, Farrell is not a dummy. He is pro-Nazi and exercises quite some influence.) The Government is not backed by a single political party - not even by the Nationalists for whom this Government is too moderate. The army too is divided in not less than six groups. The first is for Peron, the second is for Peluffo, the third is for Farrell, the fourth is for the Nationalists, the fifth is indifferent, (or rather wishes to see the army get out of the government - believing that the army is being discredited by the Government; this group wants all generals to get out, including Peron), the sixth sympathizes with the opposition. However the opposition too - and this is one of the main difficulties - is divided. Argentina's Radicals - the country's most important party - have not joined the opposition. They believe the Government's assurances that elections will be held. For this reason the Radicals, who have won all elections since 1916 which were not manipulated by the Government, do not see any reason to share the power with other parties.

The opposition today consists of Conservatives, Socialists, Communists and a sprinkling of Radicals. The Government is aware of its weakness since the demonstration on the day Paris fell. This is the main reason why it is trying to retrace its steps. Unless we strengthen this Government by sitting down with it at a Pan-American Conference it may be overthrown by the huge demonstration to be expected on the day Germany breaks down. Today the opposition is collecting funds in Argentina in order to buy arms. Seven to eight thousand people going into the streets with arms could, in my opinion, overthrow the regime. The military force at Campo de Mayo is only ten thousand strong and is divided. The soldiers stationed there will not be keen to shoot their

- 9 -

countrymen. However, private fund-raising can not be relied upon to furnish the supplies of arms which the opposition requires.

Argentina is better prepared than any other Latin American country for a democratic regime. Seventy-five percent of her people belong to the middle class. There is no other Latin American country with such a large one. Nor has any other Latin American country as independent and powerful a press - comparatively free from corruption - as has Argentina. The middle class is the backbone and the greatest source of strength for an existing democracy. But the middle class is not a revolutionary class which creates a democracy. If we go ahead and sit down at one table with the Argentine Government, thus strengthening its fascist regime - we will antagonize every liberal-minded Argentine citizen who today hopefully looks to the U.S.

There is more than one way of overthrowing the present Argentine government:

- 1) Joint American British action. An economic blockade effected by the United States and Britain would bring about the overthrow of the government in very few weeks. The economic help Britain receives, and further help it expects from us, is not the only argument. Britain is busy establishing a west European bloc, which may afford the British a stronghold on all undeveloped territories of the world and weaken our possibilities. If it desires our cooperation or acquiescence it should give us full cooperation in our hemisphere - though this would hardly be a sufficient quid pro quo.

- 10 -

- 2) Collective action by all American republics. This will be more difficult now than a year ago. It would mean supplying Chile, Paraguay, Uruguay, Bolivia and Brazil with all the necessities they receive today from Argentina, and at the same prices. This would be a protracted and costly process.
- 3) Encouraging the opposition within Argentina by supplying it with funds and arms. Committees "to help free Argentina" should be established in various Latin American countries, and a considerable part of the support should reach the opposition from the various Latin American countries. This movement could be quickly and effectively organized. This movement would create, for the first time in years, an intimate bond between all democratic elements in Latin America and the United States.

We can not look on passively while within our hemisphere a fascist country arms herself to the teeth constituting an ever-increasing threat to her neighbors.

We must cease playing the sucker. Latin American politics are full of subtleties and subject to intricate thinking. Let us take Brazil again as an example. I have it from an excellent source that on the day Hull announced the U.S. would not recognize the Argentine regime Vargas told a friend of his, "Hull is going too far. His policy is too harsh. If he had asked me to, I could have straightened out the difficulties with Argentina." With this remark Vargas betrayed his true sentiments. He prefers a dictatorship in Argentina to a democracy. The reason is obvious. If, with Germany's defeat, a democratic

- 11 -

wave should sweep the world, the Vargas regime would be more isolated and endangered if Argentina becomes a democracy. Nevertheless, Vargas does not see any reason why he should not exploit the Argentine situation to the fullest extent. With the Argentine situation remaining unsettled Brazil is more important than ever for us. Vargas sees no reason why he should not obtain from us additional arms supplies as well as commercial and political benefits. There is another thought in his mind. Opposition against him is today stronger than ever. Even many industrialists and landowners are against Vargas because of higher taxes and of course they would prefer a more secure legal system. If the opposition should reach a dangerous degree, a war against Argentina would divert attention from internal difficulties; consolidate his regime. If Vargas sends troops to Southern Brazil they are not necessarily intended for protection of his frontiers but for his own protection. Most uprisings in Brazil originate in the South. At the same time - while Brazil is protesting her friendship for the U.S. and clamoring for further assistance - prominent Brazilians are assuring their Argentine friends, "You know we are with you. We share your ideology; you have all our sympathies but we are being pressed by the U.S."

Such a policy of insincerity and inner contradictions is nothing new in Latin America. To some extent we have ourselves worsened the situation by paying excessive attention to every gesture made by Latin American governments. We are making too much noise and appear to be no end preoccupied with Latin American problems. Latin American countries today are suffering from a highly inflated feeling of self importance.

The longer we delay taking a position the more hopeless the situation grows. We must make up our minds who are our real friends and we must work

- 12 -

with them. We cannot continue in a political vacuum. Our present policy of neutrality merely alienates those who base their hopes on us. This was forcefully demonstrated to me when I visited El Salvador. That country's police chief installed himself as its president after forcing out former President Menendez at pistol point. The head of the Supreme Court, Dr. Molina, is, according to all indications, the legitimate and constitutional provisional president. The U.S. Embassy in El Salvador received petitions signed by not less than twenty-five thousand Salvadoreans repudiating Aguirre and asking for U.S. recognition of Molina as President. The Salvadorean people do not understand why we have not done so and why their legitimate government receives no encouragement from us. We are quickly losing the sympathy of these people to whom our policy is a source of great disillusionment.

Just as unpopular as the U.S. is making herself with her aloof and indifferent attitude towards the keyed-up, passionate sentiment of the democratic element - just as popular is Mexico. Mexico because of her consistent policy with regard to Franco has won the heart of all liberal-minded people in Latin America. The Mexican Embassy in El Salvador is crowded with political opponents of Aguirre to whom it is affording asylum. Mexican popularity in all parts of Central and South America is very strong. Mexico has become the focal hope of the suppressed masses in all Latin America.

Another important point in the Latin American situation - we must decide which of the Latin American countries can be our most important ally and whose influence in Latin American affairs we are prepared to strengthen. Of the three major countries, Argentina, Brazil and Mexico, Mexico is the only possible choice. We cannot choose Argentina even if it were a democracy because

- 13 -

of the predominating British influence. We cannot choose Brazil because of the type of regime it possesses - unless we wish to further antagonize the democratic elements in all Latin America. (Also because of her different language, Brazil exercises little influence in Spanish-speaking Latin America.)

If we lose Mexico, instead of more firmly than ever attracting it to our side, all of Latin America will be lost to us. As the situation now is, should Mexico be estranged from us, we would precipitate a development which would hasten the process we are now witnessing: that of a Latin America turning away from the U.S. and even adopting an antagonistic attitude. This under all circumstances must be avoided.

- - -